



# STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

# DRAFT

Date:	04/17/12	Bill No:	<a href="#">Senate Bill 1326</a>
Tax Program:	Administration	Author:	Harman
Sponsor:	BOE Member Runner	Code Sections:	RTC 39
Related Bills:	SB 1554 (Correa) AB 2320 (Nestande)	Effective Date:	01/01/13

## BILL SUMMARY

This bill requires the Board of Equalization (BOE), the Franchise Tax Board (FTB) and the Employment Development Department (EDD) to work together on current and future information technology projects that would provide a web-based virtual consolidation of the agencies.

### Summary of Amendments

Since the previous analysis, this bill was amended to provide that the consolidation of the agencies' forms, applications and other documents will be only performed upon a joint determination by the agencies and when funding is provided by the Legislature.

## ANALYSIS

### CURRENT LAW

Under existing law, three different state agencies administer and enforce California's major taxes: the BOE, the FTB, and the EDD.

The BOE's major responsibilities are to: (1) collect state, local and district sales and use taxes; (2) collect a variety of business and excise taxes and fees, including those levied on gasoline, alcohol, diesel fuel, cigarettes, and hazardous waste; (3) oversee the administration of the local property tax by county assessors; and (4) assess certain statewide property of utilities and railroads. In addition to its administrative role, BOE also adjudicates tax disputes and appeals.

The FTB's primary responsibility is to administer California's personal income tax (PIT) and corporation tax. The FTB also administers several other programs, including homeowners' and renters' assistance programs, the collection of child support payments, and other court-ordered payment programs.

The EDD is responsible for administering programs dealing with employment-related services, unemployment insurance (UI), and state disability insurance (SDI). The department collects UI contributions and employment taxes from employers and collects SDI contributions for the SDI program. The department is also the agency responsible for collecting PIT withholding on wages and salaries, and interacts directly with FTB in the administration of the PIT.

### PROPOSED LAW

This bill states legislative findings and declarations, and adds Section 39 to Revenue and Taxation Code to require the BOE, FTB, and EDD to collaborate and focus their current and future information technology efforts on developing a single web-based

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portal that virtually consolidates the agencies to enable online, self-service access through a single logon for taxpayers to electronically file returns, submit forms or other information, remit amounts due, determine account balances and due dates of taxes, identify the status of any appeal, claim for refund, request for relief of interest or penalty, and any other information the agencies deem helpful to the taxpayer to assist in compliance with the state's tax laws.

As part of this effort, the bill further requires that, upon joint determination by the agencies and appropriation by the Legislature, the agencies consolidate forms, applications, and other documents to reduce, or eliminate, the number of multiple submissions of the same information by taxpayers.

According to the legislative findings and declarations, in developing a taxpayer-focused system, the fundamental objective should be a platform providing an integrated experience for taxpayers, to enable online self-service access with a single logon for all three agencies, and to provide pertinent and essential information that will enable taxpayers to satisfy their payment and reporting obligations, obtain real time information pertinent to their individual accounts, and provide assistance that will enable taxpayers to achieve optimum compliance with California's complex tax system.

#### IN GENERAL

The BOE is actively working with the FTB and EDD to identify specific, incremental processes that would achieve efficiencies for taxpayers. In conjunction with the **Centralized Revenue Opportunity System (CROS)** project to replace the BOE's existing legacy systems, the BOE is already working with FTB and EDD to identify opportunities to coordinate and collaborate on various aspects of the business processes to avoid unnecessary duplication and incompatibility of systems and business methods.

With respect to the combining of functions and processes, the BOE has taken the lead in working with the FTB and the EDD to identify specific, incremental processes to optimize capacities and achieve efficiencies.

A workgroup from these agencies has been formed to discuss those processes and functions that may be the most opportune for consolidation, taking into account all practical aspects and costs. Some of the areas under discussion include the tax return process, call centers, printing, mailing and the electronic capture of documents.

There are several other collaborative efforts already underway, including:

- The BOE, EDD, and FTB currently share an extensive amount of valuable data and have long-standing cooperative partnerships in this effort. To enhance our data sharing capabilities, the agencies have formed a joint agency **information sharing** team. The main goal of this team is to ensure that new technology projects continue to further our current data sharing abilities, while being consistent and compatible with the direction set by the State's Chief Information Officer and when it is deemed appropriate – given risks and resources – to pursue a more integrated approach for accessing data from the other agencies.
- The BOE, FTB, and EDD also have developed a **"Tri-Agency Collector Exam"** which consolidates the three agencies' entry level collector exam into a single exam. Candidates are now able to take one exam for all three agencies' entry level collector classifications

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- The three tax agencies have also **consolidated recruitment efforts** by having one recruitment table at the recruitment events. Although primarily for tax auditor and collector classifications since these classifications have similar duties and minimum qualifications, information about other classifications is also available.
- The BOE and the FTB work collaboratively to enhance collection of the **state's use tax**. The FTB has a line on its state income tax return to enable taxpayers to report their use tax on their state income tax return and has also incorporated instructions in its income tax instructional booklets to better educate taxpayers of their use tax reporting obligations.
- The three tax agencies have worked together to provide a more simplified approach for taxpayers requesting to satisfy their tax debts through **offers in compromise** by enabling taxpayers to complete one form for all three agencies.
- The agencies have established an **offset process** so when a tax refund is pending from one agency, the other two agencies are notified and may obtain the refund monies to apply to taxes owed.
- Finally, through a combined effort to streamline and improve taxpayer resources and educational programs, California's three tax agencies and the IRS created the **California Tax Service Center website**, [www.taxes.ca.gov](http://www.taxes.ca.gov), with the goal of "one-stop" tax help.

## COMMENTS

1. **Sponsor and Purpose.** This bill is sponsored by Senator George Runner (Ret.) and is intended to develop a plan to create an enhanced "one-stop shop" portal that allows taxpayers an easy and up-to-date integrated access to their accounts with all three tax agencies. With an easily understood website, [www.taxes.ca.gov](http://www.taxes.ca.gov), taxpayers would be able to find critical documents in less time, with less hassle. Further, the envisioned portal would have a standard look and navigational structure, notwithstanding the fact that it ties together three separate tax agencies. This would give taxpayers not only a sense of continuity – that they're actually using one system rather than a collection of mini sites within three separate agencies websites – but also an opportunity to better comply with the tax laws and varied reporting obligations.
2. **The April 17, 2012 amendments** (1) provide that the consolidation of the agencies forms, applications and other documents will be only performed upon a joint determination by the agencies and with funding provided by the Legislature, and (2) pursuant to statements of the author and sponsor during the Senate Governance and Finance Committee hearing on April 11, 2012, the intent of this bill is to only require the three agencies to collaborate on a plan to develop the single internet web portal to virtually consolidate the agencies.
3. **The bill requires the three agencies to coordinate future efforts.** Upon a joint determination by the agencies that a need exists to improve cost-effective service to taxpayers and an appropriation by the Legislature, the three agencies shall work together to consolidate forms, documents, and applications with the goal of eliminating duplicative reporting efforts by taxpayers.

- 4. BOE technology limitations.** The BOE's current system technology is outdated and is not taxpayer focused. Although the BOE is making progress in providing improved on-line services to taxpayers prior to CROS (i.e. eRegistration), its ability to fully embrace new technologies is severely limited. The objectives of this bill are similar to the goals of CROS. CROS is proposing a system that will:
- Improve customer satisfaction by offering more online services, streamlining processes, and increasing transaction accuracy.
  - Provide a secure environment to ensure that customer's interactions are fast, reliable, stable, scalable and secure.
  - Improve program efficiency and utilize best practices from other tax agencies.
- 5. Suggested amendments.** Amend Section 39 to read:
- "The board, the Franchise Tax Board and the Employment Development Department shall collaborate and focus their current and future information technology efforts on developing a plan for a single Web-based portal that virtually consolidates the agencies to enable online, self-service access through a single logon for taxpayers to electronically submit returns and forms or other information, remit amounts due, determine accounts balances and due dates of taxes, identify the status of any appeal, claim for refund, request for relief of interest or penalty, and any other information the agencies deem helpful to the taxpayer to assist in compliance with the state's tax laws. As part of this effort, upon a joint determination by the agencies that a need exists to improve cost-effective services to taxpayers and an appropriation by the Legislature, these agencies shall also consolidate forms, applications, and other documents to reduce or eliminate the number of multiple submissions of the same information by taxpayers."
- 6. Related legislation.** SB 1554 (Correa) proposes to abolish the FTB and transfer all of its duties and powers to the BOE, operative January 1, 2014. It also transfers the tax administrative functions of personal income tax wage withholdings from the EDD to the BOE.
- AB 2320 (Nestande) requires the FTB and BOE, before January 1, 2014, to jointly conduct a study and deliver a report to the Legislature determining the cost of administration and compliance with Revenue and Taxation Code, as provided, and to determine how much revenue is being lost by California's economy due to its complex system of taxation in contrast to a flat tax.

## COST ESTIMATE

The cost to work with EDD and FTB to develop a plan to create a single web-based portal that virtually consolidates the agencies is insignificant and absorbable.

## REVENUE ESTIMATE

This bill in and of itself would not affect the state's tax revenues. In general, the development a web-based virtual consolidation of the BOE, FTB and the EDD would not appear to have any effect on the state's revenues.

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